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Restaurant Business

MARCH 1, 1985

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March 1, 1985 VOL. 84, NO. 4

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Cover design by Andrea Geller; photo by Don Kushnick

Market Segment Report

Houston-based Gabby's serves Texas style barbecue; new menu is aimed at dinner.

Regional chains dominate barbecue segment

by Jacque White Kochak

"I got interested in barbecue because it tastes so good," says Josh Lewin, owner of Smokey's Real Pit Bar-B-Q in New York City. "My wife and I first tried barbecue in Kentucky, and then in Florida. We came back to New York City and couldn't find any."

So he opened his own unit in 1979. He has since opened two more and talks of further expansion.

Lewin is typical of the entrepreneurs who are opening up barbecue concepts outside the southern "Barbecue Belt." They are increasing in numbers, as Americans begin to appreciate the smoky taste of a truly American food.

So far, however, no barbecue chain has been able to establish a national presence, though Diversifoods' Luther's is generally considered a likely prospect. Two Florida chains, Sonny's Bar-B-Q and Fat Boy's Bar-B-Q, are creeping out of their Southeastern base, and a number of small regional chains from Texas to Tennessee to Georgia are positioning themselves for growth.

Meanwhile, barbecue independents are showing up in such unlikely places as Warren, Ohio, and Cape Cod, Massachusetts, as entrepreneurs sense the specialty concept's potential. And in more traditional markets in the South, barbecue restaurants are proliferating.

Outside of the South, the popularity of barbecue varies from market to market. New York City has gone crazy over barbecue, with many new concepts opening. They range from the stylish Carolina—in the theater district—serving pork and sometimes pheasant, quail, or duck, in elegant pink and taupe surroundings—to Singleton Bar-B-Q in Harlem, where ribs and chicken are slow-cooked over charcoal and oak wood chips in a brick oven in a long, narrow room with red plastic banquettes, red plastic-topped tables, and blue walls.

In between are a host of restaurants with names like Texarkana, Checkers, R.J.'s, and Bloomsbury, where dedicated Yuppies gnaw on ribs, coleslaw, and chicken. "Anytime anything starts to get a little bit of attention in New York City, everyone jumps on the bandwagon," says one observer.

Chicago has its popular institutions such as Carson's, whose five units post sales of $3 million each with a menu consisting primarily of ribs. But barbecue isn't the phenomenon that it is in New York City.

Nor is barbecue as trendy on the West Coast, though oldtimers like Harry's Oven Pit and Dem Bones BBQ Shack in Los Angeles have loyal followings. One small California chain, Love's, has been in business for some time, but a couple of chains out of Texas have reportedly had trouble getting their concepts across.

Californians have been more receptive to upscale barbecue, however. Spectrum Foods' three MacArthur Parks derive more than 50 percent of sales from ribs, chicken, sausage, pork chops, and duck basted and smoked in a specially designed oak wood smoker, then grilled over mesquite. Each unit posts sales in excess of $3 million a year.

And R.J.'s The Rib Joint, in Beverly Hills and Newport Beach, California, is hatching expansion plans under the aegis of W.R. Grace & Company, which acquired the concept two years ago. Determinedly folksy R.J.'s, just off Rodeo Drive, serves beef and pork ribs, chicken, pork chops, and veal smoked in a

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deep pit with a blend of orange, oak, apple, and alder woods, along with some hickory and mesquite. Average check is $15.50 without liquor; and the two units gross more than $7 million annually.

Up the coast in San Francisco, two Hog Heavens serve Memphis style pork shoulder smoked over hickory and mesquite for nearly 10 hours, and shredded for Memphis tastes. An upscale atmosphere draws stylish San Franciscans, and owner Andrea Martin says she plans further expansion.

The rib restaurants, first cousins to the barbecue restaurants, are doing well in California as well as around the rest of the country.

The leader in the segment—and the concept most copied—is Tony Roma's, which has installed a new management team with further plans for expansion. Several rib look-alikes are also continuing to advance into new markets.

Purists insist that the rib restaurants, as well as many of the trendy Manhattan spots, don't actually serve "real" barbecue, and they are probably right. The U.S. Department of Agriculture defines barbecue as meat cooked by the direct action of dry heat, resulting from the burning of hardwood or hot coal, which permeates the meat with the taste of smoke. Many of the rib restaurants resort to liberal doses of liquid smoke and bake or steam their ribs in the oven before basting them with barbecue sauce and grilling them, but nobody seems to mind, not even dyed-in-the-wool Southerners who cut their teeth on beef ribs.

The fragrant smoke of hardwoods gives barbecue its unique flavor.

In fact, some observers say that the rib houses, which started in Florida and flourished up the East Coast as vacationers took home a taste for ribs, were the vanguard for authentic barbecue. "Barbecue came on the coattails of ribs in the Northeast," says Smokey's Josh Lewin. "Real barbecue, imbued with the flavor of the wood and not just crusted with charcoal, is a food whose time has come."

Emerging barbecue chains

Luther's is the barbecue chain most often cited as the leader in the market, and is the chain most often mentioned by competitors because it is in more markets than any other. At presstime, however, Luther's executives could not discuss the changes the chain is going through.

Luther's serves a good product at a reasonable price, but the concept has encountered some problems. The chain has not been profitable, and rapport has been bad with some franchisees. Reportedly, the concept didn't do well in such markets as Milwaukee, Wis., Spokane, Wash., and Northern California, but one securities analyst who follows Luther's parent company, Diversifoods, says the problem lies not with the concept but with such factors as expansion too far afield, out of contiguous markets where units would have been helped by word of mouth. The analyst, Michael Culp of Prudential-Bache, adds that some locations were not good and some franchisees "were financial types instead of foodservice types who got into

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Sonny's has 64 units; 25 more will open in 1985.

Luther's as an investment and just got blown away.

"It's frustrating, because Luther's is a very good concept," says Culp. "The chain has been slow to get off the ground and has been affected by Diversifoods' preoccupation with its troubled Godfather's chain."

Luther's was a small Texas-based chain when acquired by Diversifoods, which refined the menu, preparation, decor, and operations, and began expansion in 1981.

Luther's is aimed at families but appeals particularly to men, and serves Texas style barbecue from a cafeteria style service line. Average check runs about $4, and units reported $1.3 million in average sales last year.

In the Southeast where barbecue tastes are very regional and patrons are fiercely loyal, Luther's has reportedly run into some resistance to its Texas beef barbecue in areas where pork predominates or where sauces differ radically from the wet, tomato-based Texas sauces. Last year, Luther's executives said they were experimenting with some regional menu items.

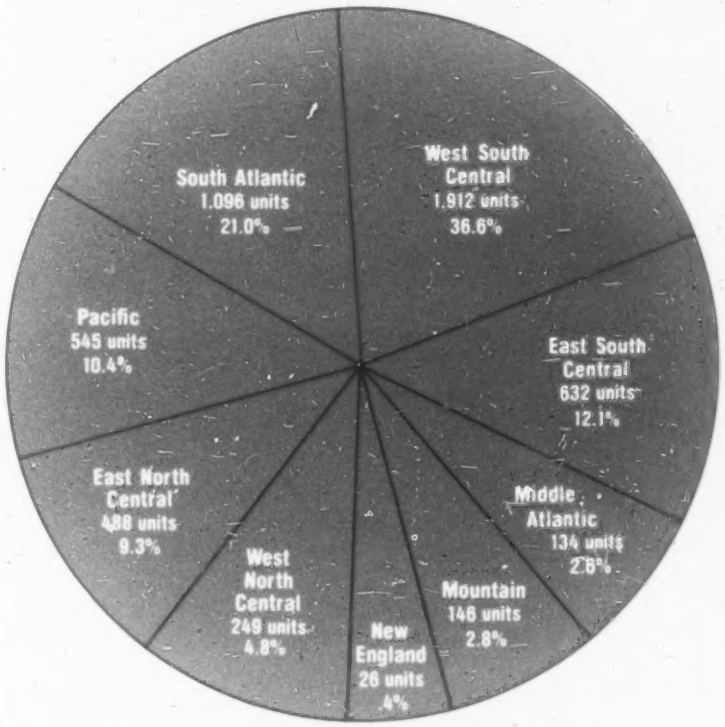
At that time, they also introduced a modified building prototype that is 1,000 square feet smaller than the 6,000-square-foot original Luther's and replaced the original wood smoking pits with convection-supplemented barbecue pits to cut cooking time from 16 to eight hours.

Luther's remains a promising concept and one to watch. Prudential-Bache's Culp anticipates that Luther's will be sold in 1985. "I think they will get out from under some of Diversifoods' problems and be developed independently," he predicts.

One chain that is giving Luther's a run for its money is Gainesville, Florida-based Sonny's Bar-B-Q. Sonny's calls itself the largest barbecue chain in the country with 64 units, but unlike Luther's, Sonny's has stayed close to its Florida base. Only now is Sonny's creeping outward, with some of its 25 new units in 1985 expected to open in Colorado, Illinois, Virginia, Maryland, and Kentucky.

Sunbelt dominates barbecue market

Together, the southern regions account for over two-thirds of total barbecue restaurants. Texas alone represents 28 percent of the total.



Note: Percentages represent distribution of barbecue restaurants by Census regions. There are 5,228 barbecue restaurants in the U.S., 1.7 percent of total U.S. restaurants.
Source: Restaurant Consulting Group. RE-COUNT, Spring 1984.

Sonny's director of operations Marion Whitescarver notes that Sonny's has sometimes encountered resistance to its Florida barbecue when entering new southern markets. North Carolina, in particular, was a problem, because North Carolinians pledge allegiance to a different kind of barbecue, with vinegar- or mustard-based sauces instead of tomato-based sauce. Sonny's continued to serve its own product and now "does real well there," says Whitescarver. "We don't know how to cook their barbecue, so we cook our own," he adds. "Most of our current customers first tried our barbecue when they were on vacation in Florida, so we don't experience the resistance we might have had 10 to 15 years ago."

Whitescarver declined to comment on Sonny's current annual sales or unit volume, but owner Sonny Tillman had reported earlier that units average $950,000, and 1983 sales were $58 million. Almost all Sonny's units are franchised.

Fat Boy's Bar-B-Q is a strong competitor in the Florida market, with 33 franchised and 10 company-owned units. Company sales in 1984 reached $23 million, with an average unit volume of $750,000. Over the next 12 months, Fat Boy's will open an average of one new unit a month. Emphasis will be on the Southeast and the Sunbelt, according to executive vice president Jay Bradley.

Family-oriented Fat Boy's will soon open a fast food prototype, and

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Bradley anticipates that half of the company's new units will be fast food. The drive-thru prototype will seat 64 people, compared to an average of 167 for full-size units.

Part of the reason for the fast food prototype is that the smaller unit will cost only a little more than half the cost of a larger unit to construct, so Fat Boy's can go into smaller markets. More importantly, Bradley notes that Fat Boy's has seen a dramatic increase in carry-out business, and the drive-thru will facilitate carry-out sales.

Fat Boy's also has seen an increase in its breakfast business, which now accounts for about 25 percent of total sales. Fat Boy's specializes in homemade sausage, biscuits, and gravy.

A country breakfast is well received by barbecue patrons. Breakfast is also an important part of sales for Atlanta-based Old Hickory Hous. Like the other chains, the 12-unit Old Hickory House serves barbecued beef, pork, ribs, and chicken, primarily to families. Country breakfasts featuring biscuits, gravy, and grits account for 30 to 32 percent of total volume.

All the restaurants have open hickory wood pits inside, so customers can watch the meat cooking. Meat is then hand-sliced in view of customers.

Prices range from $2.35 to $4.95 for breakfast, with an average check of $3.90; and from $3.29 to $6.99 at lunch and dinner, with an average check of $4.20 at lunch and $6.50 at dinner. Units average sales of $1 million each, according to owner Jack Black.

The first Old Hickory House opened in 1953, and expansion has been slow. However, Black says that changes are underway. A franchising program will be in place late this year, and the company's commissary is equipped to handle three or four times the number of stores now in existence. "I hope to triple the number of units in the next five years," says Black. "A lot of people are flirting with barbecue concepts, and I see that we need to keep growing because of the increased competition."

Bodacious is a Texas style barbecue outpost located in Warren, Ohio.

Diversifoods' Luther's is located in more markets than any BBQ chain.

Fat Boy's will soon open a 64-seat, fast food prototype with drive-thru.

Also growing is Memphis-based Gridley's, with four units now open in Memphis, and four franchises opening soon in Jackson, Tennessee; Atlanta, Georgia; and Jackson, Mississippi.

"Mr. Gridley died a year ago, but he dreamed of establishing 200 units coast to coast," says vice president A.J. Walton. The company is now headed by Clyde Gridley's daughter, Robin Gridley Nickell.

Gridley's units are arranged so that a customer can enter either a fast food side or a dining room from a central foyer. The restaurant

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serves barbecued pork shoulder ribs, chicken, shrimp, New Orleans-style gumbo, and chopped shoulder sandwiches. In fact, Walton notes, the Memphis Cradley's uses 22 tons of shoulders and ribs a week.

Dinners are accompanied by San Francisco sourdough bread, cole slaw, and baked beans. The entire meal is served in 15 minutes on average, but nevertheless there usually is a 20 to 45 minute wait for a seat in the dining room, says Walton. The dining rooms seat between 240 and 260 people, and the fast food area seats 65.

Walton says that units average

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REGIONAL SUMMARY

State	Total all restaurants in state	Total BBQ restaurants in state	(%) share of BBQ restaurants in state	(%) share of BBQ restaurants in U.S.*
Connecticut	4,174		15	1%
Maine	1,836		1	03
Massachusetts	7,906	12	1	2
New Hampshire	1,590		1	03
Rhode Island	1,331			05
Vermont	701			
New England	16,538	26	.15	.4
New Jersey	9,037	36	2	4
New York	23,441	98	5	1.1
Pennsylvania	13,200	49	2	.9
Middle Atlantic	45,678	134	.29	2.6
Illinois	12,997	184	1.2	3.5
Indiana	6,580	69	1.0	1.3
Michigan	10,379	110	1.0	2.1
Ohio	16,511	106	.6	2.0
Wisconsin	4,561	19	.3	.3
East North Central	50,926	488	.9	9.3
Iowa	4,019	20	.5	.3
Kansas	3,511	63	1.8	1.2
Minnesota	4,708	10	.2	.2
Missouri	6,109	134	2.1	2.5
Nebraska	2,331	3	.1	.1
North Dakota	855	1	.1	.05
South Dakota	740	1	.1	.05
West North Central	22,162	249	1.1	4.8
Delaware	1,023	4	.3	.03
D.C.	1,125	5	.4	.09
Florida	14,469	380	2.4	7.0
Georgia	6,353	253	3.9	4.8
Maryland	3,758	16	.4	.3
North Carolina	6,460	264	4.0	5.0
South Carolina	3,471	93	2.6	1.7
Virginia	6,096	83	1.3	1.5
West Virginia	1,716	2	.1	.1
South Atlantic	44,531	1,096	2.4	20.9
Alabama	3,945	93	2.3	1.8
Kentucky	3,561	73	2.0	1.3
Mississippi	2,459	69	2.6	1.7
Tennessee	5,230	215	3.9	4.1
East South Central	15,195	632	4.1	12.1
Arkansas	2,673	118	4.4	2.2
Louisiana	4,830	129	2.6	2.4
Oklahoma	4,440	178	4.0	3.4
Texas	28,965	1,487	5.1	28.4
West South Central	40,908	1,912	4.6	36.6
Arizona	4,136	30	.8	.6
Colorado	5,327	45	.8	.8
Idaho	1,245	4	.3	.07
Montana	1,288	4	.3	.07
Nevada	1,410	17	1.2	.3
New Mexico	1,953	28	1.4	.5
Utah	1,710	1	.05	.01
Wyoming	799	12	1.5	.2
Mountain	17,608	145	.8	2.8
Alaska	423	4	.9	.07
California	37,604	457	1.2	8.7
Hawaii	1,372	18	1.3	.3
Oregon	4,109	27	.6	.5
Washington	5,783	39	.6	.7
Pacific	49,291	545	1.1	10.4
U.S. total	302,837	5,228	100	1.7

**According to RE-COUNT Spring '84, there are 5,228 barbecue restaurants in the U.S.*

about $50,000 a week, or $2.6 million a year. Average check is $15 for a party of two.

"I'm seeing more and more competitors in Houston," says Frank Roche, president of Gabby's, a chain of 13 barbecue restaurants in Texas, primarily Houston. "There are now some 180 competitors, not counting Luther's." The success of some of the barbecue chains is coming back to haunt them, because everybody is trying to get a piece of the action. Gabby's has put expansion on hold while some of the 13 restaurants are converted from cafeteria style service to full service, says Roche. "We want to be sure about which concept we're selling before we go any further," he notes.

The reason for the change is to promote dinner business, Roche says. The one converted unit already shows an increase over the chain's average unit volume of $900,000, though Roche is reluctant to divulge details.

Gabby's also has expanded its menu with such items as chicken fried steak, fried chicken, fresh vegetables, and fresh breads and desserts. The most expensive item on the menu is $6.50.

Lewin of New York City-based Smokey's has set his sights high. He opened his first unit in 1979, his second in April of 1982, and his third last November. A public offering is possible, with the proceeds to be used to put together a strong management team and begin company expansion and territorial franchising.

Dallas-based Tony Roma's, with 42 units, is rapidly expanding.

Smokey's slow-smokes its spareribs, baby back ribs, chicken, and brisket over a blend of mesquite, oak, apple, cobb, and maple woods. The pit is exposed to public view as customers move along a cafeteria style line. Platters include "tiny taters" or coleslaw, and the menu also features buttermilk biscuits, chicken fried steak, link sausage, hot chicken wings, pork butts, rib tips, and potato "skin chips." Pecan pie, icebox cake, and key lime pie round out the menu. Average check is about $9.

The newest Smokey's features a fountain in the dining room where customers can wash their messy hands. The dining room has a black ceiling with fans, formica tables, and Western murals—a mountain scene blending into a stagecoach scene blending into a prairie scene—spanning the entire room. A jukebox adds to the relaxed atmosphere.

Lewin's restaurants have caught on with New Yorkers, and he predicts that the three restaurants will gross $3 million in 1985.

Bodacious, in Warren, Ohio, is a real barbecue outpost, and co-owner Don Gacura admits that he and his partner, David Zehngut, have to educate their customers about the qualities of real barbecue.

"People have the idea that barbecue is something covered with sauce," says Gacura. "People see pink on the meat and they think it is undercooked. But the pink is caused by smoke penetration."

Reaction to Bodacious, however, has been good. The self-service restaurant, which includes a drive-thru window, smokes beef, pork, chicken, and turkey over hickory wood in a

Average unit volumes at Bobby Rubino's approach $2.4 million annually.

deep pit. In a location with a large Eastern European population, the restaurant also serves smoked kielbasi sausages. Prices start at $1.65 for a junior sandwich; average check is about $4.

Zehngut is an architect, and the Bodacious building was designed as a prototype for future expansion. Plans for expansion are not yet firm.

Rib restaurants

Tony Roma's, now based in Dallas but originally out of Florida, is marching forward with 42 units open and plans to expand as rapidly as possible. Primary markets are Miami and Los Angeles, with four units in Texas and single units strung from Scottsdale, Arizona, to New York City. There are even four units in Tokyo, and that franchisee is planning to open a unit in Guam, says director of operations Tom McCrary.

Texas businessman Clint Murchison installed a new management team last year after he purchased the chain. The new chief financial officer is from General Foods, the new vice president of operations is from Red Lobster, the new vice president of personnel is from Burger King, and the director of marketing is from Frito-Lay. The object was to transform Tony Roma's from an entrepreneurship into a corporation, and to insure stable growth.

There have been no major changes in the successful concept (annual volumes average about $2 million), although Tony Roma's has updated its decor package. "We're just about right," says McCrary. "We don't want to upgrade to the point that people are intimidated. We are perceived as having a good price/value relationship, and we want to capitalize on that."

McCrary notes that, like some barbecue restaurants, Tony Roma's has encountered resistance in certain barbecue markets where chopped meat is the barbecue of choice. "The solution is to get them to try the product," he says.

Tony Roma's has been much copied. Other concepts include Jilly's in Atlanta, Damon's in Ohio, and Oh! Brian's in North Carolina, Tennessee, and Virginia. All tend to be casual but a step above the barbecue chains. They serve more liquor, and appeal to a wide range of customers, including families and singles.

Among the most successful is Bobby Rubino's, a 19-unit chain. There are seven company-owned units in Florida, one franchisee in Florida, a joint venture in New York City, three franchised units in northern New Jersey, three franchised units in Pittsburgh, one in Atlantic City, and one on Long Island, N.Y. There are also two units in Canada.

Bobby Rubino's is planning to expand at a rate of one unit a month, all franchised. A 13-unit deal for Chicago was signed last year, and the first unit was scheduled to open in February. A 15-store Los Angeles/San Francisco agreement was also signed, and the first store is scheduled to open in March.

According to Frank Galgano, Bobby Rubino's president, average unit volumes approach $2.4 million. Prices range from $3.95 to $15.95 for a prime rib or a "Steel City" 2-½ lb. rack of ribs.

Bobby Rubino's is undergoing some slight changes in the concept, aiming at appealing to families. "Families are more loyal," says Galgano. "Young singles are always looking for something new."

More emphasis is being placed on food, with the bar downplayed. The restaurants are steering away from a darker lounge atmosphere, towards a lighter, brighter look. "We see our future as that of a dinner house," says Galgano. "In the past, we've been noted for quick turnover, but that's not our priority now."

The company is utilizing more service personnel, and has added several dessert items and soups. A new decor package uses polyurethane tabletops instead of formica, as well as more brass. Smooth-cut, clean cedar is replacing the rough-cut cedar look. "The customer is looking for a little bit more now," says Galgano. "They want good food and value, but an aesthetically pleasing environment can be the last determining factor."

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